

Message Text

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72

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 IO-14 OIC-04 L-03 H-03

SP-03 AID-20 NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20

STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 FEA-02 AF-10

ARA-16 NEA-14 PA-04 PRS-01 USIA-15 DRC-01 /237 W

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R 191633Z JUN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1407

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: CHANCELLOR HEALEY'S STATEMENT IN PARLIAMENT ON
GOLD AND THE C-20 MEETING

1. DENIS HEALEY, CHANCELLOR OF THE EXCHEQUER, TOLD THE
COMMONS ON TUESDAY (JUNE 18) THAT THE IMF'S COMMITTEE OF
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TWENTY WAS UNANIMOUS IN WISHING TO PHASE GOLD OUT OF ANY

CENTRAL ROLE IN THE INTERNATIONAL MONETARY SYSTEM. HE WENT ON TO SAY THAT THE AGREEMENT ON THE USE OF GOLD AS LOAN COLLATERAL WOULD BE "NEUTRAL" IN ITS EFFECTS. IT WAS NEITHER A STEP TOWARDS NOR A STEP AWAY FROM DEMONITISATION.

2. THE CHANCELLOR WENT ON TO SAY THAT HE DOUBTED THAT ANY OTHER COUNTRY BESIDES ITALY WOULD TAKE ADVANTAGE OF THE NEW AGREEMENT CONCERNING GOLD AND REJECTED THE IDEA THAT THE AGREEMENT WOULD LEAD TO AN INCREASE IN TOTAL STOCKS OF MONETARY GOLD. "A MINIMUM PERIOD FOR SUCH LOANS (I.E. THOSE BACKED BY GOLD) WILL BE FIXED SO IT DOES NOT BECOME A DISGUISED WAY OF TRANSFERRING OR SELLING GOLD FROM ONE CENTRAL BANK TO ANOTHER."

3. WHEN ASKED ABOUT THE POSSIBLE INFLATIONARY EFFECTS, THE CHANCELLOR REPLIED THAT IF THE USE OF GOLD AS COLLATERAL LED TO AN INCREASE IN LIQUIDITY WHICH COULD NOT OTHERWISE HAVE BEEN ACHIEVED, IT WOULD LEAD TO INFLATION, BUT HE DOUBTED WHETHER THIS WOULD BE THE CASE.

4. MORE GENERALLY, MR. HEALEY CLAIMED THAT MUCH OF THE PROGRESS THE (C-20) MEETING HAD MADE IN DEALING WITH THE THREAT TO THE INTERNATIONAL MONETARY SYSTEM POSED BY INCREASES IN THE PRICE OF OIL AND OTHER COMMODITIES HAD RESULTED FROM BRITISH INITIATIVES. ACTIONS TAKEN BY THE C-20 TO ASSIST DEVELOPMENT COUNTRIES HAD BEEN A "VERY REAL CONTRIBUTION" TO SOLVING THEIR DIFFICULTIES AND BRITAIN HAD PLAYED A LARGE PART IN PERSUADING OTHER COUNTRIES TO ACCEPT A LINK BETWEEN THE CREATION OF NEW SPECIAL DRAWING RIGHTS WITH DEVELOPMENT ASSISTANCE.

5. WHEN ONE MP SUGGESTED THE NEW DEFINITION OF SDR IN TERMS OF 16 MAJOR WORLD CURRENCIES MERELY REFLECTED "THE DEGREE OF FINANCIAL IRRESPONSIBILITY OF THOSE 16 COUNTRIES", MR. HEALEY REPLIED THAT "RELATING SDR'S TO A BASKET OF REAL MONEY IS BETTER THAN RELATING IT TO A COMMODITY USED FOR FALSE TEETH AND COSTUME JEWELLRY."

6. MR. HEALEY'S STATEMENT FOLLOWED SHARP CLASHES IN UNCLASSIFIED

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PARLIAMENT LAST THURSDAY (JUNE 13) OVER THE DECISION BY THE GROUP OF TEN TO ALLOW COUNTRIES IN BALANCE OF PAYMENTS DIFFICULTIES TO PLEDGE GOLD AT FREE MARKET PRICES AS A BACKING FOR FOREIGN LOANS. MR. EDMUND DELL, THE PAYMASTER GENERAL, INSISTED THAT THE AGREEMENT WOULD NOT AFFECT BRITAIN AND THAT IT WAS NOT A BASIC CHANGE IN THE INTERNATIONAL MONETARY SYSTEM. HOWEVER, THE OPPOSITION SAW THE LOGICAL CONSEQUENCES OF THE MOVE AS A REVALUING OF ALL

GOLD RESERVES AT MARKET PRICES AND CONSEQUENTLY A MAJOR
CHANGE IN THE INTERNATIONAL MONETARY SYSTEM. MR. HEALEY'S
REMARKS ON TUESDAY SERVED TO ANSWER SOME OF THE OPPOSI-
TION'S CONCERNS.

ANNENBERG

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